

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 194608
ORIGIN XMB-04

INFO OCT-01 AF-10 ISO-00 EB-08 AID-05 COME-00 TRSE-00
OMB-01 CIAE-00 INR-07 NSAE-00 /036 R

XMB

DRAFTED BY XMB: R A SWART:EMC
APPROVED BY EB/IFD/ODF:MVCREEKMORE
XMB: L G GUADAGNOLI (DRAFT)
XMB: C NORRIS
AF/W: P R CHAVEAS
XMB: P J MALLOY
XMB: D E GIANTURCO
XMB: C F HERRMEYER
AF/W:PCHAVEAS

-----062024 170621Z /15

R 162220Z YUG 77
FM SECSTATE WASHDC
TO AMEMBASSY LAGOS

LIMITED OFFICIAL USE STATE 194608

E.O. 11652: N/A

TAGS: EFIN, NI

SUBJECT: NIGERIAN CREDITWORTHINESS

REFERENCES: (A) LAGOS 8867, (B) STATE 161976

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 194608

1. AS EMBASSY AWARE, EXIMBANK DOES NOT HAVE COMPREHENSIVE COUNTRY CREDITWORTHINESS RATINGS FOR ALL FINANCING PROGRAMS. CLOSEST BENCHMARK IS INSURANCE PREMIUM CHARGED FOR SUPPLIER CREDITS AND FEE FOR BANK GUARANTEES, WHICH IN CASE OF NIGERIA IS SECOND HIGHEST FEE OF FOUR LEVELS (DLRS 1.08 PER THOUSAND OF MEDIUM-TERM SUPPLIER CREDIT COVERAGE. BANK CHARGES DLRS .48 FOR BEST MARKETS, DLRS 1.26 FOR LEAST CREDITWORTHY.) IN CASE OF NIGERIA THIS FEE REFLECTS

DIFFICULTIES ENCOUNTERED IN DOING BUSINESS IN THE COUNTRY PERHAPS MORE THAN USUAL BALANCE OF PAYMENTS, ECONOMIC STRENGTH AND RESOURCE ENDOWMENT CRITERIA.

2. FOR LARGE PROJECT CREDITS, COUNTRIES ARE ASSESSED ON A CASE-BY-CASE BASIS. AS DISCUSSED DURING CAHILL'S CONSULTATIONS IN WASHINGTON SOME MONTHS AGO, EXIMBANK ANTICIPATES SUBSTANTIAL DEMAND FOR ITS PARTICIPATION IN UPCOMING NIGERIAN DEVELOPMENT PROJECTS WHICH CANNOT BE FINANCED FROM CURRENT EXPORT REVENUES. PARTIALLY FOR THIS REASON THE BANK HAS EMPHASIZED NECESSITY TO CLEAR UP ARREARAGE SITUATION. NIGERIA'S UNENVIABLE RECORD OF LATE PAYMENTS--

WHICH HAS BEEN CONFIRMED BY OTHER BERNE UNION MEMBERS-- WILL COMPLICATE BANK'S CONSIDERATION OF NEW FINANCING THERE. EXIM RECOGNIZES THAT NIGERIA'S OIL WEALTH AND POTENTIAL FOR U.S. SUPPLIERS' SALES IN THE MARKET IN COMING YEARS MAKE THE COUNTRY A GOOD CREDIT RISK FROM RESOURCE ENDOWMENT AND FOREIGN EXCHANGE EARNINGS POINT OF VIEW. EXIM ALSO AWARE LARGE NEGATIVE U.S. TRADE BALANCE WITH NIGERIA AND DESIRABILITY OF SUPPORTING ADDITIONAL U.S. EXPORTS THERE. WE CANNOT EMPHASIZE TOO STRONGLY, HOWEVER, THAT TIMELY PAYMENTS ARE OF PARAMOUNT IMPORTANCE TO EXIMBANK IN ITS RELATIONS WITH ANY COUNTRY, AND IN THE CASE OF NIGERIA THE CHRONIC ARREARAGES WHICH THE BANK HAS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 194608

RECORDED SEEM PARTICULARLY UNWARRANTED.

3. EXIM BELIEVES FIRST PRIORITY IN CURRENT SITUATION MUST BE TO SOLVE ARREARAGE PROBLEM IN ORDER TO CLEAR WAY FOR BANK'S PARTICIPATION IN FINANCING OF NEW NIGERIAN PROJECTS. AS EMBASSY AWARE FROM REFTEL B AND EXIM VICE CHAIRMAN GIANTURCO'S JULY 13 LETTER TO AMBASSADOR EASUM, ABATEX SITUATION PRESENTS SPECIAL PROBLEMS OF SUCH SEVERITY THAT EXIMBANK BELIEVES ONLY SOLUTION IS MIN FIN PREPAYMENT OF ALL OUTSTANDING INDEBTEDNESS. ANY INDICATION OF EXIMBANK WILLINGNESS TO FINANCE NEW PROJECTS IN ANY COUNTRY IS CONDITIONED ON ALL PAYMENTS ON EXISTING CREDITS BEING CURRENT. CONSTANT PROBLEMS WITH ABATEX CREDIT OVER 5 YEAR PERIOD INDICATE THAT IT WOULD BE MAJOR STUMBLING BLOCK FOR IMPLEMENTATION OF NEW FINANCING IN NIGERIA. WE HOPE THAT EMBASSY'S INTERVENTION WILL ASSIST IN SOLVING THIS PROBLEM.

4. WHEN ARREARAGE PROBLEM DEALT WITH EXIMBANK WOULD WELCOME APPLICATIONS FOR NEW NIGERIAN BUSINESS FOR CREDIT-WORTHY BORROWERS AND GOOD PROJECTS. BANK HOPES TO BE ABLE TO SUPPORT U.S. EXPORTERS' BIDS FOR MAJOR PROJECT BUSINESS ON WHICH EMBASSY HAS BEEN REPORTING. FOR PUBLIC

SECTOR PROJECTS EXIM WILL PROBABLY INSIST THAT MINISTRY
OF FINANCE BE DIRECT OBLIGOR ON ANY NEW CREDITS TO AVOID
DELAYS INHERENT IN CUMBERSOME FMG PROCEDURES GOVERNING
PERFORMANCE AS GUARANTOR.

5- WOULD APPRECIATE ANY REACTION BELLO MAY OFFER TO
ABOVE. VANCE

LIMITED OFFICIAL USE

NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE194608
Document Source: CORE
Document Unique ID: 00
Drafter: R A SWART:EMC
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Expiration:
Film Number: D770296-0508
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197708113/aaaafypw.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: 237fb350-c288-dd11-92da-001cc4696bcc
Office: ORIGIN XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LAGOS 8867, 77 STATE 161976
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1442694
Secure: OPEN
Status: <DBA CORRECTED> gwr 970911
Subject: NIGERIAN CREDITWORTHINESS
TAGS: EFIN, PGOV, NI, XMB
To: LAGOS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/237fb350-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009